

REMARKS

Applicant thanks the Examiner for withdrawing the restriction requirement from the previous Office Action. This responds to the Office Action mailed September 21, 2005. Claims 1-17 are pending in this application, none of which are currently amended.

The Office Action rejected Claims 1-17 under 35 U.S.C. § 103(a), as being unpatentable over (U.S. Patent No. 5,905,974) Fraser et al. in view of (U.S. Patent No. 5,987,432) Zusman et al. Applicant respectfully traverses the rejection.

Claims 1-17 are directed to a computer-implemented system and method for trading fixed income financial instruments capable of, among other things, determining the national best bid and offer price in real time and applying a price improvement process to offsetting trades. For example, Claim 1 recites (emphasis added):

A computer-implemented system for automated trading of U.S. Treasury, Liquid Agency, and Zero Coupon Strip financial instruments, comprising:

an updatable system database;

an updatable offering inventory database which receives real time price and quantity information pertaining to each financial instrument from a market data feed; and

a computer implemented system proprietor operative to:

determine a national best bid and offer price for each financial instrument in the offering inventory,

execute trades at the national best bid and offer price,

determine if a trade executed by the system is an offsetting trade, wherein an offsetting trade is at least one of a plurality of trades of a same financial instrument, which plurality of trades are executed within a predefined period of time from each other, and

apply a price improvement process to at least one offsetting trade that improves a price of the offsetting trade for at least one party to the offsetting trade, and

update the system database and the offering inventory to reflect transactions executed by the system.

Fraser is directed to data processing systems and methods for implementing transaction management of auction-based trading of fixed income instruments. (Fraser, Abstract.) The Office Action concedes that Fraser fails to teach, among other things, a computer implemented system proprietor that determines if a trade executed by the system is an offsetting trade, wherein an offsetting trade is at least one of a plurality of trades of a same financial instrument, which plurality of trades are executed within a predefined period of time from each other as recited in Claim 1. (Office Action at 4.)

The Office Action states that Fraser teaches a system proprietor operative to determine a national best bid and offer price for each financial instrument in the offering inventory and apply a price improvement process to at least one offsetting trade that improves a price of the offsetting trade for at least one party to the offsetting trade as recited in Claim 1. (Office Action at 4 (citing Fraser, Col. 8, lines 6-20; Col. 7, lines 46-57.) Applicant respectfully disagrees.

Column 8, lines 6-20 reference a system proprietor, but they do not disclose, teach, or suggest that the system proprietor is operative to determine a national best bid and offer price for each financial instrument in the offering inventory. That portion of Fraser refers to the system proprietor being provided with data for quantifying and evaluating specific options and futures positions. *It makes no mention of determining a national best bid and offer price.*

Column 7, lines 46-57 refer to the system proprietor as collecting information on bids, offers, and trades, but there is no mention of the system proprietor applying a price improvement process to at least one offsetting trade that improves a price of the offsetting trade for at least one party to the offsetting trade as recited in Claim 1. *Indeed, the Office Action concedes that Fraser*

does not teach, disclose, or suggest determining an offsetting trade. Fraser cannot be understood to teach, disclose, or suggest improving the price of an offsetting trade that it does not teach, disclose, or suggest how to determine in the first place.

Zusman fails to provide the teachings missing from Fraser. Zusman is directed to a central ticker plant system for distributing financial market data that receives ticker feed data from many exchanges throughout the world, processes and formats the received data, and then distributes or broadcasts the data to regional customers in the form of transactional data. (Zusman, Abstract.) Column 14, lines 35-50 and Column 14, line 66 – Column 15, line 10, cited in the Office Action at page 4, do not disclose, teach, or suggest *executing trades at the national best bid and offer price*. Column 14, lines 7-50 references range checking logic to detect errors in the transmission of data concerning bid, ask, and trade prices for securities. Column 14, line 66 – Column 15, line 10 refers to communicating “derivative data,” such as the “day high,” “day low,” and “net change from previous close.”

Zusman also does not teach, disclose, or suggest *determining if a trade is an offsetting trade and applying a price improvement process to at least one offsetting trade* as recited in Claim 1. Column 7, lines 9-22 and Column 8, lines 6-20 and 37-61, cited in the Office Action at pages 4-5, describe data transmissions from a Central Ticker Plant.

Independent Claims 14, 15, and 17 are also patentably distinguishable from the art of record for at least the same reasons as Claim 1. In addition, Zusman does not teach, disclose, or suggest converting the national best bid and offer price to a derived price in the event the national best bid and offer price is not available as recited in Claim 14. Column 7, lines 9-22 and Column 8, lines 6-20 and 37-61, cited in the Office Action at page 9, describe data transmissions

from a Central Ticker Plant. *They have nothing whatsoever to do with converting the national best bid and offer price to a derived price.* Independent Claim 15 is also distinguishable from the art of record because that art does not alone, or in combination, teach, disclose, or suggest calculating a derived price by determining a spread between a last transaction price and a desired transaction benchmark for the financial instrument, determining a current existing price of the desired benchmark, and adding the spread to the current existing price of the benchmark as recited in Claim 15. The art of record also does not disclose, teach, or suggest a price improvement process comprising computing an average of the execution prices of a plurality of offsetting trades and applying the average of the execution prices to at least one of the offsetting trades as recited in Claim 17.

Dependent Claims 2-13 and 16 are patentably distinguishable over the prior art for at least the same reasons as Claims 1 and 15.

CONCLUSION

In light of the foregoing amendments and remarks, Applicant respectfully submits that Claims 1-17 are patentably distinct over the prior art of record and that the application is in a proper form for allowance. Favorable consideration of the application is respectfully requested. If the Examiner has any questions, the Examiner is invited to call Applicant's representative directly at (212) 969-3000.

Respectfully submitted,

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